

PUBLIC SERVICE COMMISSION OF WISCONSIN

Minutes and Informal Instructions of the Open Meeting of
Thursday, November 12, 2009

The Public Service Commission of Wisconsin (Commission) met as noticed. Present were Chairperson Callisto, Commissioner Meyer, and Commissioner Azar.

Minutes

The Commission approved the minutes of the Open Meeting of Thursday, November 5, 2009.

Commissioner Azar voted present as to the minutes of the Open Meeting of November 5, 2009.

The minutes of the Open Meeting of Friday, October 30, 2009, were laid over at the request of the Commission.

5-AE-196 – Application of American Transmission Company LLC and Wisconsin Electric Power Company for Approval of an Affiliated Interest Agreement – Lakota Road Substation Balance Authority Metering Boundary Modification Agreement

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

5-BS-181 – Joint Application of Northern States Power Company and the City of New Richmond, Both as Electric Public Utilities, for Authority to Sell/Buy Certain Electric Distribution Facilities and to Transfer One Customer Served by the Same Facilities from Northern States Power Company to the City of New Richmond, St. Croix County, Wisconsin

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

2800-CE-110 – Application of the City of Kaukauna, as an Electric Public Utility, for Authority to Acquire the Kimberly Hydroelectric Facility in the City of Kimberly, Outagamie County, Wisconsin

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

2560-TR-103 – Notification of Hillsboro Telephone Company, Inc., of its Intention to Increase Rates for Directory Assistance Calls

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

190-CW-112 – Application of Appleton Water Department, Outagamie, Calumet, and Winnebago Counties, Wisconsin, to Install Phase 1B Piping Modifications to the Water Treatment Plant to Improve Membrane Waste Washwater Recycling

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

585-WR-102 – Application of the City of Bloomer Water Utility, Chippewa County, Wisconsin, for Authority to Increase Water Rates

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

2360-CW-100 – Application of the Village of Greendale Water Utility, Milwaukee County, Wisconsin, to Construct Secondary Connection Flow Control Stations

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

2720-CW-104 – Application of the Village of Jackson Water Utility, Washington County, Wisconsin, for Authority to Construct Well No. 6

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

5-UR-104 – Joint Application of Wisconsin Electric Power Company and Wisconsin Gas LLC, both d/b/a We Energies, for Wisconsin Electric Power Company to Increase its Electric, Natural Gas and Steam Rates and for Wisconsin Gas LLC to Increase its Natural Gas Rates

The Commission discussed the record in this docket and made determinations, including the following:

1. The original estimate of residential electric sales filed by Wisconsin Electric Power Company (WEPCO) is reasonable and representative for the test year.

2. Any decline in sales being experienced by the applicants will not be deferred, and the test year sales forecasts will be treated the same as in past practice.
3. An employee position vacancy level of 283 full-time positions for 2010 should be incorporated into the electric, natural gas and steam utility revenue requirements.

Commissioner Meyer dissented.

4. No wage increase for 2010 for management employees should be incorporated into the electric, natural gas, and steam utility revenue requirements.
5. No wage increase for 2010 for union employees who are not under an existing contract should be incorporated into the electric, natural gas, and steam utility revenue requirements. The Commission encouraged the utility's unions to consider concessions and reallocations that would result in generally uniform wage increases for all union employees.
6. Operation and maintenance (O&M) costs associated with payroll should be reduced by 2.0 percent, but the applicants shall make determinations on how best to make these reductions.
7. The costs for the Wisconsin Energy Corporation Board of Directors should not be incorporated into the electric, natural gas and steam utility revenue requirements.
8. The Low Income Pilot program should not be extended beyond March 2010. This issue can be taken up in the docket that originally addressed the matter.
9. A statewide collaborative shall be initiated to address the surplus capacity situation in Wisconsin.
10. The Wisconsin jurisdictional O&M costs associated with the Elm Road Generating Station Unit 2 should not be deferred.
11. The Wisconsin jurisdictional O&M pension costs should not be deferred.
12. The 2010 test year fuel costs should be based on a Colorado coal burn of 1.1 million tons.

Chairperson Callisto dissented.

13. Test year fuels costs should be reduced by \$3.8 million associated with the revenue shortfall for the Port Washington units in PROMOD.

14. The Commission directed that an alternative gas recovery method should be used by determining an average of both the NYMEX future prices and the staff estimate for current gas prices.

Chairperson Callisto dissented.

15. The 2010 test year fuel and ash handling costs should not be reduced by \$1.5 million for any potential insurance recoveries and any insurance proceeds received for an insurance claim concerning environmental clean-up costs should be deferred to a future rate case.

Commissioner Meyer dissented.

16. The annual fuel monitoring range should remain at plus or minus 2 percent.
17. An appropriate target level for WEPCO's test year average common equity measured on a financial basis continues to be 51.0 percent.
18. It is reasonable for the Commission to determine what and how much debt imputation to include in the financial capital structure based on its assessment and allocation of any associated risk, not based on the assessment of any rating agency.
19. No debt equivalent for WEPCO's off-balance sheet obligations for its wind-related purchased power agreements is imputed into the financial capital structure for the test year.

Commissioner Meyer dissented.

20. No debt equivalent for WEPCO's off-balance sheet obligations relating to its wind-related land leases is imputed into the financial capital structure for the test year.

Commissioner Meyer dissented.

21. No debt equivalent for WEPCO's off-balance sheet obligations relating to its guarantees is imputed into the financial capital structure for the test year.
22. No debt equivalent for WEPCO's off-balance sheet obligations relating to the debt of its subsidiary is imputed into the financial capital structure for the test year.

23. A reasonable rate of return on common equity for WEPCO is 10.4 percent. A reasonable rate of return on common equity for Wisconsin Gas LLC (WG) is 10.5 percent.

Commissioner Meyer dissented.

24. A reasonable rate for WEPCO's and WG's short-term borrowing through commercial paper is 0.85 percent, with no additional operating expense being included in O&M expenses.
25. A reasonable rate for WEPCO's long-term debt issuance, if debt issuance is needed, is 5.2 percent.
26. A reasonable rate for WEPCO's variable rate long-term debt is a 0.55 percent.
27. If one or more of the 2010-2011 voluntary pilot natural gas pilot programs requested by We Energies in docket 5-UR-103 is not approved, the 2010 escrow budgets should be adjusted consistent with the Commission's decision in that docket.
28. Rate designs should be approved for the residential and small commercial flat rate and time-of-use (TOU) rate classes that collective relatively more revenue from energy charges and less from customer charges.
29. Rate designs should be approved for the demand/energy rate classes that collect relatively more revenue from energy charges and less from demand charges.
30. WEPCO shall submit an analysis to the Commission within 180 days regarding the dynamic pricing option described by the Citizens' Utility Board.
31. WEPCO's proposal to close the non-firm rate schedules to new customers is approved.

Commissioner Azar dissented.

32. WEPCO shall submit an analysis to the Commission by September 1, 2010, regarding the issues associated with creating additional pricing periods for its demand/energy TOU rate schedules.
33. WEPCO shall submit proposals to the Commission by September 1, 2010, regarding its plans to bid its air conditioner direct load control and interruptible load programs into the MISO energy market as price responsive loads.

The Commission expressed concern regarding certain terms of the WPDES settlement agreement and whether decisions about the settlement agreement should be made during a prudency review rather than in this rate case. The Commission directed the Administrator of the Gas and Energy Division to notify the parties that they will be provided 14 days to attempt to reach a resolution of the Commission's concerns.

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion.

The Commission adjourned the meeting at 1:15 p.m.

Sandra J. Paske
Secretary to the Commission